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Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-08 /019 W
----------062229Z 086467 /46
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PASS TO OED/MEPD/JASPER AND OIM/BREWER

E.O. 11652: N/A
TAGS: BENC, VE
SUBJ: MAJOR PROJECT: CORPOZULIA STEEL AND COAL PLANS, RECENT DEVELOPMENTS

REF: (A) CARACAS 1502; (B) CARACAS 2717; (C) CARACAS 2603

SUMMARY: AMCONSUL MARACAIBO AND EMBOFF BRIEFLY AND INFORMALLY DISCUSSED VARIOUS ASPECTS OF CORPOZULIA DEVELOPMENT PROJECTS WITH SOURCES IN CORPOZULIA AND SIDOR. LARGE NUMBER MEXICAN TECHNICIANS FROM LAS TRUCHAS STEEL MILL BEING BROUGHT IN TO WORK ON STEEL PROJECTS IN VENEZUELA. BRITISH STEEL BEING PRESSED TO TAKE EQUITY SHARE IN CORPOZULIA STEEL CORPORATION. POSSIBLE INTEREST IN PENN ENGINEERING BOTTOM BLOWN BLAST FURNACE PROCESS. OPORTUNITY MAY EXIST FOR CONSULTANTS TO HELP DESIGN COAL AND STEEL PORT AND AUXILIARY POWER PLANTS, AS WELL AS A FINANCIAL ADVISOR TO ARRANGE FINANCING PACKAGE FOR STEEL MIL. CORPOZULIA OFFICIALS MAY REQUEST EMBASSY ASSISTANCE FOR PLANNED VISIT TO U.S. LATER THIS YEAR.
ACTION REQUEST: MEPD TOM JASPER REQUESTED PASS INFO THIS MESSAGE TO INTERESTED US FIRMS. END SUMMARY.

1. SOURCES WITHIN SIDOR AND CORPOZULIA HAVE CONFIRMED THAT MEXICAN TECHNICIANS FROM SICARSA (SIDERURGICA LAZARO CARDENAS
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LAS TRUCHAS, S.A.) WILL BE BROUGHT TO VENEZUELA IN LARGE NUMBERS TO PROVIDE TECHNICAL ASSISTANCE IN DEVELOPING STEEL PROJECTS HERE UNDER THE TETELAGE OF THE BRITISH STEEL CORPORATION. ACCORDING TO SIDOR SOURCE, DELAY IN BEGINNING SECOND PHASE OF SICARSA HAS LEFT SICARSA ENGINEERS, INCLUDING ENTIRE PLANNING DIVISION, WITHOUT USEFUL SHORT-TERM EMPLOYMENT IN MEXICO. TRANSFER OF ENGINEERS WILL ALLOW VENEZUELA TO GAIN FROM GROUP'S

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SICARSA EXPERIENCE AND WILL CONSERVE AND EXPAND MEXICAN TEAM'S SKILLS FOR EVENTUAL RETURN TO SICARSA PROJECT. SIDOR SOURCE BELIEVES THAT TRANSFER WAS NEGOTIATED ON GOVERNMENT-TO-GOVERNMENT BASIS.

2. DELAY IN SIGNING OF CORPOZULIA-BRITISH STEEL CONTRACT FOR TECHNICAL SERVICES REPORTEDLY DUE TO VENEZUELAN DESIRE FOR A JOINT-VENTURE DEAL. BRITISH STEEL BEING PRESSED TO TAKE MINORITY EQUITY POSITION IN CORPOZULIA STEEL CORPORATION. VENEZUELANS FEEL THAT SOME FINANCIAL INTEREST WOULD INSURE BRITISH STEEL'S TOTAL COMMITMENT TO TIMELY COMPLETION AND SUCCESS OF PROJECT. HOWEVER, EVEN IF SATISFACTORY JOINT VENTURE CANNOT BE ARRANGED, BRITISH APPARENTLY WILL STILL CARRY OUT CONSULTING WORK AS REPORTED CARACAS 1502.

3. CORPOZULIA STILL HAS NOT DECIDED ON WHICH BLAST FURNACE TECHNOLOGY TO ADOPT. HUMBERTO ALVAREZ, NUMBER TWO IN STEEL PROJECT, EXPRESSED INTEREST IN HEARING AGAIN FROM PENN ENGINEER-ING RE THEIR PATENTED BOTTOM-BLOWN PROCESS. TWO ENGINEERS UNDER NELSON ROMERO WORKING ON FEASIBILTY STUDY COAL AND STEEL PORT AND MAY NEED HELP ON DOCK DESIGN AND OVERHEAD STRUCTURES. (NOTE: THIS INFO PASSED TO VENEZUELAN OFFICES HARRIS AND DRAVO). THERE MAY BE AN OPPORTUNITY FOR A CONSULTANT TO DEFINE REQUIRE-MENTS FOR AN AUXILIARY ELECTRIC POWER PLANT AT THE STEEL MILL.

4. AMCONSUL MARACAIBO ALSO REPORTS THAT CORPOZULIA OFFICIALS PLAN TO VISIT THE U.S. IN 1977 AND WILL ASK POST ASSISTANCE IN MEETING US FINANCIAL SOURCES. ONE US FINANCIER (GUY FRANCIS STARK ASSOCIATES LTD) HAS ALREADY APPROACHED CORPOZULIA VIA CASON
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OFFERING TO DESIGN CORPOZULIA FINANCING PACKAGE. FIRST BOSTON ALSO PURSUING THIS OPPORTUNITY WHICH DEFINED BY SOURCE IN COR-POZULIA AS FOLLOWS QUOTE A CONSULTANT TO ADVISE ON HOW TO RAISE FUNDS AND EVALUATE FINANCING OFFERS END QUOTE.

5. COMMENT: EMBASSY RECOGNIZES INFORMATION ABOVE FRAGMENTARY AND UNVERIFIED. IT IS BECOMING MORE AND MORE DIFFICULT TO SECURE APPOINTEMENTS WITH CORPOZULIA OFFICIALS BUT AMCONSUL AND EMBASSY WILLING ASSIST US BUSINESS VISITORS WHENEVER POSSIBLE. NOT-WITHSTANDING APPARENT SUCCESS OF BRITISH STEEL AND EISENBAUM IN FIRST PHASES OF STEEL AND COAL PROJECTS, EMBASSY CONTINUES TO FEEL MANY OPPORTUNITIES WILL ARISE. CORPOZULIA GRADUALLY WILL RECOGNIZE ADDITIONAL TECHNICAL ASSISTANCE NEEDS AS IT GETS DEEPER INTO ITS AMBITIOUS DEVELOPMENT PROGRAM. THOSE SUPPLIERS WILLING TO ENGAGE IN HANDHOLDING NOW, AND IN DEVELOPING AN EMPATHETIC LONG-TERM RELATIONSHIP, COULD BE REWARDED IN THE FUTURE.
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